

**Harris County  
Office of Economic Development**

**Presentation on  
Economic Development Incentives  
for**

**New Business Development Task Force  
Economic Alliance Houston Port Region**

**Wednesday, March 13, 2013**

# **Harris County**

## **Economic Development Incentives**

1. Economic Development Tax Abatements
2. Green Building (LEED® Certification) Tax Abatements
3. Historic Site Tax Exemptions
4. Affordable Housing Tax Exemptions (Tax Code §11.1825)
5. Tax Increment Reinvestment Zones (TIRZs)

# Harris County Tax Abatement Program

## Eligible Types of Facilities:

- New Manufacturing Facility
- Regional Distribution Facility
- Regional Entertainment Facility
- Regional Service Facility
- Research & Development Facility

# Harris County Tax Abatement Program

Basic Qualifications (must meet all five):

1. New construction.
2. Increase the appraised value of the property at least **\$1,000,000** during first two-years (“construction period”).
3. Create at least **25** full-time permanent jobs **IN THE REINVESTMENT ZONE** during the first three-years (“employment period), and continuing through the remaining term of agreement
4. Does not transfer employment from one part of Harris County to another.
5. **Competitively-sited.**

# Harris County Tax Abatement Program

**Competitively-Sited Project** means a project where the applicant has completed a written evaluation of competing locations for expansion, relocation, or new operations, including identification of specific sites in those locations.

As part of this requirement :

1. Construction may not commence until after application is approved by Harris County, and
2. No Public announcement is permitted until after County receives application and holds public hearing.

# Harris County Tax Abatement Program

- **Employee** means a person whose employment is both permanent and fulltime, who works for and is an employee of the Owner, who works a minimum of 1,750 hours per year exclusively within the reinvestment zone, who receives industry-standard benefits.

# Harris County Tax Abatement Program

Projects are eligible for abatement of new value, subject to an abatement cap: to be calculated as **\$1,000,000** per job created, **multiplied by the number of new jobs**, as required in a tax abatement agreement. The cap shall not exceed the increased value requirement as set out in the Agreement, adjusted annually. To determine the amount of the abatement each year, the **Adjusted Cap shall be multiplied by up to 50 percent, up to a total of 10 years.**

# Harris County Tax Abatement Program

Simplified example:

Assume:

- \$25 M value increase in first year for new project.
- 25 jobs (new full time jobs created).
- Harris County approves 50% tax abatement.
- Tax Rate for Harris County & its taxing entities is \$0.63998 per \$100 of value.
- 50% of \$25 M is subject to abatement first year
- $(\$12.5\text{M}) \times (.63998/100) = \$79,997$  taxes abated first year



# Harris County Tax Abatement Program

- Application fee of \$1,000 payable to Harris County accompanies an application when submitted to the County.

# Harris County Tax Abatement Program

Kuraray (Septon)



# Harris County LEED® Certification Tax Abatement Program

LEED® rating schemes assign points for satisfying “green building” criteria in six categories:

- Energy & Atmosphere
- Materials & Resources
- Indoor Environmental Quality
- Innovation in Green Building Design
- Water Efficiency
- Sustainability

# Harris County LEED® Certification Tax Abatement Program

## Not Eligible:

- Renovations
- Commercial interiors
- Neighborhood developments
- Residential & retail
- Schools & healthcare

# Harris County LEED® Certification Tax Abatement Program

LEED® certification for commercial buildings  
has four levels:

- Certified / Basic
- Silver
- Gold
- Platinum

# Harris County LEED® Certification Tax Abatement Program

**(% Value Abated) x (Required Investment) = \$100,000**

<b><u>LEED® Certification</u></b>	<b><u>Value Abated</u></b>	<b><u>Required Investment</u></b>
Certified/Basic	1.0%	\$10,000,000
Silver	2.5%	\$ 4,000,000
Gold	5.0%	\$ 2,000,000
Platinum	10.0%	\$ 1,000,000

# Harris County LEED® Certification Tax Abatement Program

## Basic Requirements:

- Note: For a facility to qualify, no job creation target or competitive siting is required!
- Applicant must register with the USGBC for LEED® Certification **prior to** submitting the Green Building Tax Abatement Application to Harris County.
- The application must be submitted to Harris County **prior to** commencing construction of the proposed new commercial development.
- Application fee of \$1,000 accompanies application.



# Harris County LEED® Certification Tax Abatement Program

- The tax abatement benefit commences when the facility is complete and LEED® Certification is granted to the structure by the USGBC.
- The value of the tax abatement is calculated based on the appraised value after LEED® Certification is obtained.



# **Harris County LEED® Certification Tax Abatement Program**

## **Medical Professional Building in City of Webster Cheyenne III Development Group**



# Harris County Historic Site Tax Exemption

## Basic Qualifications (must meet all five):

1. Structure constructed prior to 1930.
2. Deemed to be an architecturally or historically significant site warranting rehabilitation or restoration, based on a written recommendation of the Harris County Historical Commission.
3. Commissioners Court must designate as a historic site in need of tax relief to encourage its preservation.
4. Construction may not commence until after application is submitted to Harris County.
5. No public announcement until after County receives application.

# Harris County Historic Site Tax Exemption

Magnolia Hotel (former Post-Dispatch Building)





# Harris County

## Affordable Housing Tax Exemptions (Tax Code §11.1825)

Eligibility Requirements (an applicant must meet all):

1. Site control
2. Evidence of Financial capacity
3. Demonstrated need for additional affordable housing in area – market studies show 90% occupancy w/in 3 miles & consistent w/ concentration policy

# Harris County

## Affordable Housing Tax Exemptions (Tax Code §11.1825)

For existing properties not previously qualified as affordable housing, 25% is standard exemption rate.

For new properties, 50% enhanced exemption rate may be recommended, provided public hearing is held, where neighborhood associations within 1 mile radius are properly notified and included.

# Harris County

## Tax Increment Reinvestment Zones

### Basic Requirements:

1. Project must have a clear public purpose;
2. Project must be clearly identified with cost estimates for its components;
3. Project must facilitate development of undeveloped or underdeveloped areas or enhance the quality of life for current residents of the Zone;

# Harris County

## Tax Increment Reinvestment Zones

### Basic Requirements (continued):

4. Project may not have as its *sole purpose*, the relief of a municipality of its obligation to maintain and/or grow its infrastructure;
5. Private Development must show that the proposed development would not occur and/or that funding would be inadequate without County participation;
6. Project may only be infrastructure projects which are part of or directly affect a commercial development covered by the Project Plan or County Public Facilities

# Harris County Tax Increment Reinvestment Zones Dynamo Soccer Stadium (TIRZ #15)





# Harris County

## Economic Development Incentive Program

### Summary & Conclusions

- Our business incentives generally have a “but for” requirement.
- Our programs are geared toward exempting or abating ad valorem taxes (i.e., property taxes) because ad valorem taxes are the County’s only source of revenue.
- We have a broad array of programs to meet many different needs, whether commercial or residential.

# Harris County Office of Economic Development

## Contact Information

Website: [www.csd.hctx.net](http://www.csd.hctx.net)

Harris County Community Services Department

8410 Lantern Point Dr., Houston, TX 77054

Phone: 713-578-2000

- Nancy Powell, Economic Development Director
- Annie Yang, Economic Development Assistant Director
- Jean Anne Spivey, Economic Development Project Manager